



2003 TOURISM OUTLOOK

BUILDING TOURISM WITH INSIGHT

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The 2003 Tourism Outlook presents Tourism British Columbia's initial forecast of market performance for the coming year. Surveys of household travel intentions and motivations, mid-range projections of economic conditions and forward-looking indicators of business activity were all utilized in the development of this forecast.

The forecast is also predicated on the assumption that a protracted military conflict in the Middle East will be avoided during 2003. If the situation in Iraq is not resolved before the peak summer travel season fuel prices could remain high, the airline industry and air seat capacity could be compromised and consumer and business confidence could be negatively affected. Tourism British Columbia will closely monitor the situation and other key factors, such as rates of economic growth in key markets and fluctuations in exchange rates, which will influence industry performance during the year, and will revise the forecast as necessary.

The terrorist attacks of September 11, 2001 had a dramatic impact on the tourism industry, leading to the first decline in visitor volume in ten years. Tourism BC anticipated that a continued impact on travel would lead to a further decrease in visitation during 2002. However, industry recovery began earlier than expected and visitation rose an estimated 0.8% during the year. The recovery should continue into 2003, as the tourism industry returns to growth patterns experienced during the decade preceding 2001.

Overall visitation to British Columbia is forecast to increase 2.1% during 2003 to 23.0 million overnight visitors, generating \$9.7 billion in revenue. Long haul markets are expected to grow somewhat faster than short haul markets as travel patterns return to normal following the impact of September 11th and as long haul air seat capacity gradually rebuilds. Business travel will grow if there is a relatively quick resolution of the situation in Iraq, followed by an increase in the rate of economic growth during the second half of the year.

Market Origin	% Share Overnight Visitor Volume	2003 Overnight Visitor Volume Forecast (000's)	% Change From 2002	% Share Overnight Visitor Revenue	2003 Overnight Visitor Revenue Forecast (\$M)	% Change From 2002
North America	93.2%	21,433	2.0%	83.2%	8,030	3.5%
BC Resident	48.3%	11,086	2.0%	26.9%	2,589	3.5%
Other Canada	21.3%	4,899	2.3%	29.4%	2,841	4.0%
United States & Mexico	23.7%	5,448	1.5%	26.9%	2,600	3.1%
Total Overseas	6.8%	1,607	3.8%	16.8%	1,666	5.5%
Asia Pacific	3.9%	905	3.8%	10.1%	995	5.4%
Europe	2.4%	573	4.1%	6.1%	603	5.7%
Other Overseas	0.6%	129	3.0%	0.7%	68	4.5%
Total International	30.5%	7,055	2.1%	43.8%	4,267	4.0%
Total Non BC Resident	51.7%	11,954	2.2%	73.1%	7,107	4.0%
Total	100.0%	23,040	2.1%	100.0%	9,697	3.9%

- Market share based on Statistics Canada customs entries and BC Visitor Study estimates.
- Figures for 2002 in this document are estimates and will be revised when final year-end data is available.
- Readers are advised that Tourism British Columbia's forecast is subject to revision throughout the balance of the year and the contents of this report should not be construed as a recommendation on policy or actions.

<i>North America 2003 Outlook</i>	2003 Overnight Visitor Volume Forecast (000s)	% Change From 2002	2003 Overnight Visitor Revenue Forecast (\$M)	% Change From 2002
Total	21,433	2.0%	8,030	3.5%
British Columbia	11,086	2.0%	2,589	3.5%
Other Canada	4,899	2.3%	2,841	4.0%
United States	5,377	1.5%	2,549	3.0%
Mexico	71	5.0%	51	6.6%

Visitation from North America is forecast to increase 2.0% in 2003 to 21.4 million overnight visitors who will spend an estimated \$8.0 billion in the province. Strongest growth is expected from Ontario, as domestic long haul air capacity rises and travel patterns return to normal. Significant growth is also expected from Mexico.

British Columbia: The provincial economy is expected to experience moderate economic growth during 2003 which, following strong growth in employment in 2002, will contribute to growth of the British Columbia resident market this year. Economic recovery in key markets and an improving business environment in British Columbia will be positive factors but their influence on resident travel will probably not be felt until later in the year. Continued weakness of the Canadian dollar will also be positive for within province travel during 2003. The British Columbia resident market is particularly sensitive to fuel prices and weather conditions, thus continued high gas prices and poor weather are among the downside risks to the forecast.

Canada: Visitation from other Canadian markets is forecast to rise 2.3% during 2003. Alberta, British Columbia's largest Canadian market, is forecast to grow by 2.0% in 2003 as the Alberta economy will continue to perform relatively well and air seat capacity to British Columbia is expected to rise significantly. Continued development of the BC Rockies as a getaway destination and improved access to Vancouver Island through WestJet will contribute to this modest increase in visitation to British Columbia.

Visitation from Ontario is predicted to rise 4.0% during 2003. Visitation from Ontario fell an estimated 5.0% during 2002 as residents of Ontario shifted to short haul travel, business travel fell and air seat capacity to British Columbia dropped. In 2003 there will be some shift back to longer haul travel and air seat capacity from Ontario to British Columbia is expected to increase. The continued weakness of the Canadian dollar, as well as the international situation, should encourage Ontario residents to travel within Canada. The Ontario economy, which is dependent on exports to the United States, performed well in 2002. This performance can be largely attributed to the success of the US automobile and housing markets which did well despite overall weakness in the US economy. If those sectors of the US economy falter in 2003, the Ontario economy may be negatively affected.

The forecast for Canadian markets assumes that: 1) the Canadian economy will expand by 2.5% to 3.0% in 2003, 2) fuel prices will decline toward summer as the Iraq situation is resolved, 3) air access to and within British Columbia will gradually improve through the year, and 4) the Canadian dollar will not strengthen significantly during 2003, encouraging Canadians to travel within Canada.

United States: Visitation from the United States is forecast to rise a modest 1.5% during 2003 following an estimated increase of 3.8% during 2002. Americans switched to short haul, safe destinations in the wake of September 11th but, if any military conflict in Iraq is short, or avoided altogether, Americans will gradually revert to historic travel patterns and the increase in short haul travel seen in 2002 will be partially reversed. Combined with weak economic growth, low business and consumer confidence through the first half of 2003 and only small increases in air seat capacity from US markets, growth in visitation from the United States will be limited in 2003.

This forecast assumes that the American economy will grow modestly through 2003, the Canada-US exchange rate will remain in its current range, there will be no further terrorist attacks, and fuel prices will moderate through the summer. The effect of a prolonged military conflict in Iraq on visitation is unclear. It may lead some Americans to switch from European to Canadian destinations or it may reduce discretionary travel altogether. Tourism British Columbia will track events closely through the year and revise this forecast as necessary.

<i>Asia/Pacific 2003 Outlook</i>	2003 Overnight Visitor Volume Forecast (000s)	% Change From 2002	2003 Overnight Visitor Revenue Forecast (\$M)	% Change From 2002
Total	905	3.8%	995	5.4%
Japan	301	2.0%	299	3.5%
Australia & New Zealand	143	4.7%	174	6.2%
Taiwan	80	3.0%	104	4.5%
Hong Kong	81	1.0%	93	2.5%
South Korea	110	5.0%	110	6.6%
China	79	10.0%	90	11.7%
Other Asia Pacific	109	5.0%	125	6.6%

Tourism British Columbia forecasts that overnight visitation from the Asia/Pacific region will increase 3.8%, to 905,000 visitors, generating \$995 million in revenue during 2003. This follows an estimated increase of 2.3% in visitation for 2002, as the Asia/Pacific market rebounded from the impacts of September 11th more quickly than expected. Air seat capacity from Asia/Pacific to British Columbia is recovering and, with the exception of Japan, countries in the region are expected to experience good economic growth this year. However, the situation in Iraq poses a significant risk to this forecast, as travelers from the region tend to be sensitive to travel safety concerns and the economies of the region are heavily dependent on oil imports from the Middle East.

Japan: Visitation from Japan is forecast to rise 2.0% in 2003, following an estimated 8.2% increase in 2002. Growth during 2002 reflects a rebound from the steep decline in Japanese visitation immediately following September 11th, 2001 as Japanese travelers were particularly affected by safety concerns. Prior to September 11th, Japanese visitation to British Columbia was in decline due to weak economic performance and a depreciating currency. However the Yen appreciated about 10% during 2002, which should have a positive impact on visitation during 2003, economic growth was strong during the 2nd and 3rd quarters of 2002 and air seat capacity to British Columbia is expected to rise about 4.0% in 2003. These factors should support increased visitation during 2003 unless events in Iraq or North Korea lead to a renewal of the reluctance to travel to North America that affected Japan post September 11th.

Australia: Visitation from Australia is expected to rebound during 2003, rising 5.0%. Growing interest in British Columbia, particularly winter and cruise products, and relatively positive economic conditions were offset in 2002 by reduced air access and the impact of a weak Australian dollar. However, air seat capacity is expected to rise substantially in 2003 and the Australian dollar appreciated 9.0% against the Canadian dollar through the year – both should have a positive impact on travel during 2003.

Taiwan: Visitation from Taiwan fell 27.9% during 2001 and is estimated to have decreased a further 8.6% in 2002. The Taiwanese economy suffered a severe contraction in 2001 and a large drop in air seat capacity to British Columbia during 2001 and 2002 also limited visitation from Taiwan. The Taiwanese economy began to recover during 2002 and is expected to perform relatively well during 2003, which will lead to a rebound in visitation to BC. However, only a small increase in air seat capacity is expected during 2003, which will limit short term growth.

South Korea: The South Korean market was virtually unaffected by September 11th and has exhibited strong growth since recovering from the South East Asia financial crisis of 1997/98. Visitation rose an estimated 7.3% in 2002 and is forecast to rise a further 5.0% in 2003. The Korean Won appreciated against the Canadian dollar during 2002, the economy continues to perform well and air seat capacity to BC is expected to grow during 2003, all which will contribute to increased visitation during 2003. The most significant risk is the negative impact on travel that could result if tensions between North and South Korea continue to rise.

China: Visitation from China grew by an estimated 21.1% in 2002 following growth of 26.1% in 2001 and 30.4% in 2000. Factors that provide the basis for a forecast 10.0% increase in visitation from China during 2003 include: 1) continued economic growth, 2) pent up demand for travel, 3) ongoing efforts to reduce barriers to Chinese citizens traveling to Canada and, 4) the on-going positive impact of the Canadian Tourism Commission office in Beijing (opened in 2001 and partially funded by Tourism British Columbia).

Europe 2003 Outlook

	2003 Overnight Visitor Volume Forecast (000s)	% Change From 2002	2003 Overnight Visitor Revenue Forecast (\$M)	% Change From 2002
Total	573	4.1%	603	5.7%
United Kingdom	279	5.0%	310	6.6%
Germany/Austria/Switzerland	116	2.8%	146	4.3%
Netherlands	35	3.0%	30	4.5%
France	24	3.0%	20	4.5%
Italy	21	3.0%	18	4.5%
Other Europe	98	4.0%	79	5.6%

Overnight visitation from Europe is forecast to rise 4.1% during 2003, with a total of 573,000 visitors generating \$603 million in revenue in British Columbia. This follows estimated decreases in visitation of 11.0% and 6.0% during 2002 and 2001, respectively. The lagged effect of a 16% appreciation of the Euro (in real and nominal terms) in 2002, which has decreased the cost of visiting British Columbia, and an increase in air seat capacity should result in a partial recovery of visitation during 2003.

Primary risks to this forecast include the negative effect of a protracted military conflict in the Middle East, renewed terrorism or safety concerns and slower than anticipated economic growth during 2003, which would dampen growth in disposable income and consumer confidence.

United Kingdom: After strong growth during 1999 and 2000, visitation from the United Kingdom fell 3.8% in 2001 and an estimated further 7.2% during 2002. While British travelers seem to have quickly recovered from the psychological impact of September 11th, a 9.2% decrease in air seat capacity to British Columbia was a significant constraint to visitation in 2002. The British economy performed quite well during the second half of 2002 and is expected to show moderate growth during 2003, which could increase consumer confidence and encourage travel. British Columbia will benefit from a 10% depreciation of the Canadian dollar against the British Pound during 2002, while some of our competitors in this market saw their currencies either stabilize against the Pound (Australia) or appreciate (New Zealand). However, air seat capacity from the UK is expected to show little growth in 2003, limiting growth in travel to British Columbia. Also, Britain's role in confronting Iraq may make it a target for terrorism, which could reduce international travel by the British.

Germany: Visitation from Germany has declined every year since 1997, except for 1999, as the economy has been weak and the depreciation of the Euro increased the cost of visiting British Columbia. Visitation is estimated to have fallen a further 22.8% during 2002, while direct air seat capacity to British Columbia fell 27.6% during the year. Economic performance is expected to continue to be weak during 2003, which will constrain growth of long haul travel. However, the appreciation of the Euro during 2002 and a forecast increase in air seat capacity during 2003 should encourage some growth in visitation to British Columbia during the year. As well, there may be a delayed positive impact of Vancouver hosting the DERTOUR Academy Convention in November 2001, which could lead to increased marketing of British Columbia by DERTOUR travel agents over the next few years.

Other Europe: Generally, the economies of other European countries are expected to perform moderately well in 2003, although a prolonged period of high oil prices would have a negative impact. Economic growth, combined with a strengthening Euro and a moderate increase in air seat capacity, should allow for growth in visitation in the range of 4.0%. However, as with other markets, performance will depend on how the situation in Iraq evolves during 2003.

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